

Volkswagen Environmental Mitigation Trust for California

Update to the Board

Riverside, California | October 26, 2017



Overview

- Background
- Potential eligible mitigation action categories
- Process for Beneficiary Mitigation Plan approval and implementation
- Summary of early feedback
- Next steps

Background

CARB Heavy-Duty Funding Portfolio

VW Mitigation Trust

NOx mitigation

\$423M for 2017+

Low Carbon Transportation

GHG reductions

\$330M for FY 17-18

Zero-Emission Warehouse Program

Criteria pollutant, toxics, and GHG reductions

\$50M for FY 17-18

AQIP

Criteria pollutant and toxics reductions

\$28M for FY 17-18

AB 617

Criteria and toxics reductions to support community action goals

\$250M for FY 17-18

Carl Moyer

SIP emission reductions

\$69M for FY 17-18

Prop 1B

PM and NOx reductions in goods movement corridors

\$267M for 2015+

Funding for Agriculture

Criteria pollutant, toxics, and GHG reductions

\$135M for FY 17-18

Volkswagen (VW) Settlement

- 1st Partial Consent Decree (VW 2.0-liter diesel engines) approved October 2016; 2nd Consent Decree (VW 3.0-liter diesel engines) approved May 2017
- Applies to entire United States
- Consists of main body & Appendices A, B, C, and D
- Civil penalties addressed in 3rd consent decree



Consent Decree Appendices

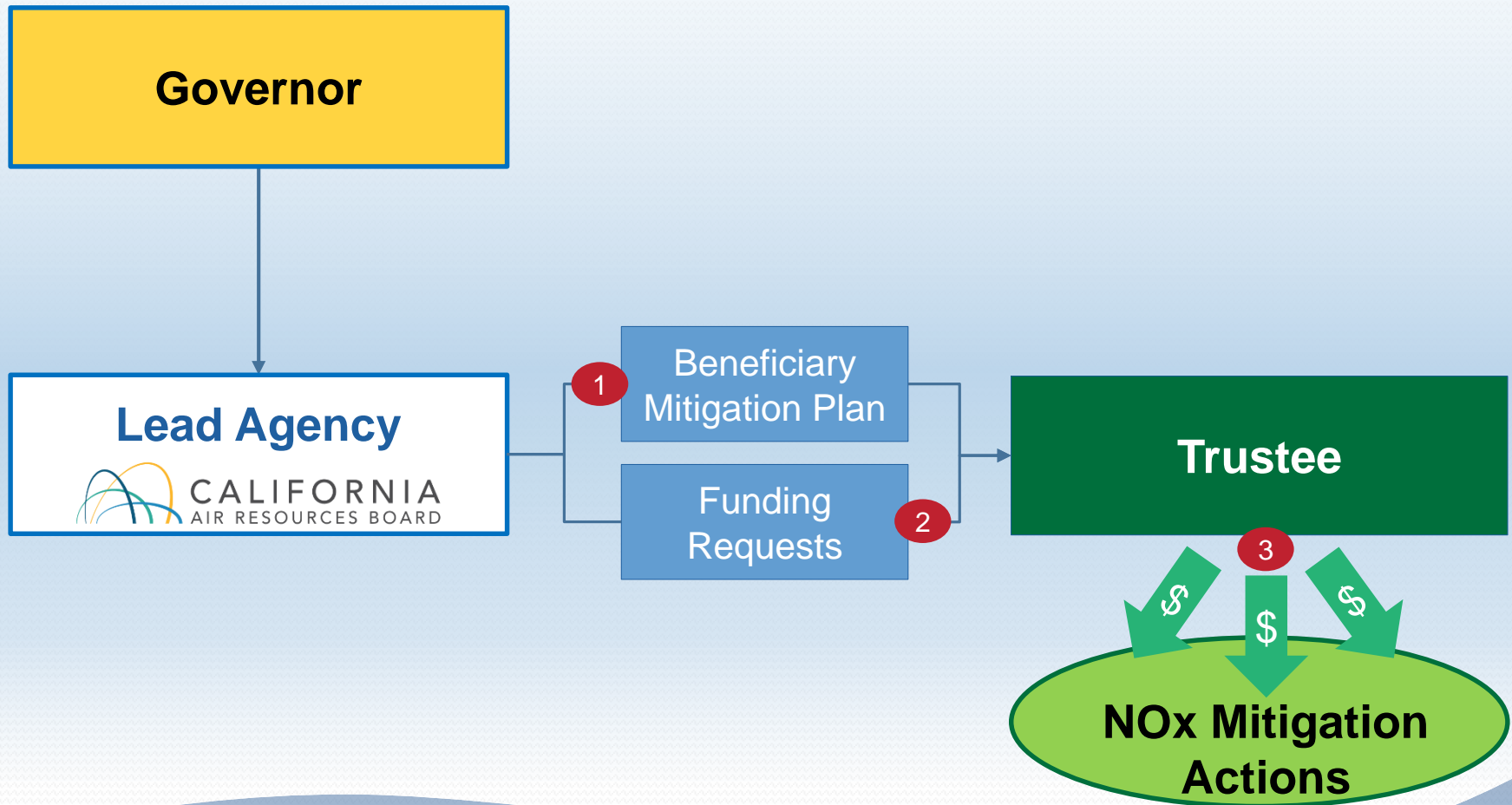
- Appendices A and B
 - Applies to VW 2.0-liter and 3.0-liter subject vehicles already sold
 - Specifies buyback, lease termination, and potential vehicle modification terms
- Appendix C
 - Specifies VW's ZEV Investment Commitment
- **Appendix D – Today's Topic**
 - **Specifies Mitigation Trust to address past and future excess emissions of Nitrogen Oxides (NOx)**

Appendix D:

Environmental Mitigation Trust

- ~\$3 billion nationally; ~\$423 million (~14%) for California to fund eligible NOx mitigation actions
 - Replace older heavy-duty vehicles and equipment in California with cleaner vehicles and equipment
 - Fund light-duty electric vehicle infrastructure ($\leq 15\%$)
 - Option to provide matching funds for Diesel Emission Reduction Act (DERA) projects

How the Trust Works



CARB Responsibilities

- Develop Beneficiary Mitigation Plan through a public process
- Manage all interactions with the Trustee
- Provide transparency and oversight
 - Publicly post approved funding requests
 - Conduct program reviews and fiscal audits
 - Report to the Trustee semi-annually

Beneficiary Mitigation Plan

- Summarizes how California plans to use its Trust mitigation allocation
 - Overall goal for the use of the funds
 - Categories of eligible mitigation actions to be funded and the corresponding allocations for each
 - Consideration of potential air quality benefits on areas disproportionately impacted by air pollution
 - Expected emission reductions
- May be updated as necessary

Legislative Direction: Senate Bill 92

- Passed in June 2017
- Directs the Lead Agency to strive to ensure that:
 - 35 percent of California's allocation benefit low-income or disadvantaged communities
 - The expenditures align with the state's priorities and provide for public transparency before approval
- Annual report to the Legislature



Potential Eligible Mitigation Action Categories



On-Road Trucks

- Class 4-8 freight and delivery (includes waste haulers, dump trucks, concrete mixers) and Class 8 drayage trucks
- Repowers and replacements
- Existing 1992-2012 truck and/or engine must be scrapped



Transit, Shuttle, and School Buses

- 1992-2012 engine model year
- Class 4-8 (GVWR > 14,000 lbs)
- Repowers and replacements
- Existing bus and/or engine must be scrapped



Freight Switcher Locomotives

- Pre-Tier 4 engines operating at least 1,000 hours/year
- Repowers and replacements
- Existing switcher and/or engine must be scrapped



Ferries and Tugs

- Pre-Tier 3 engines
- Repowers only
- Existing engine must be scrapped



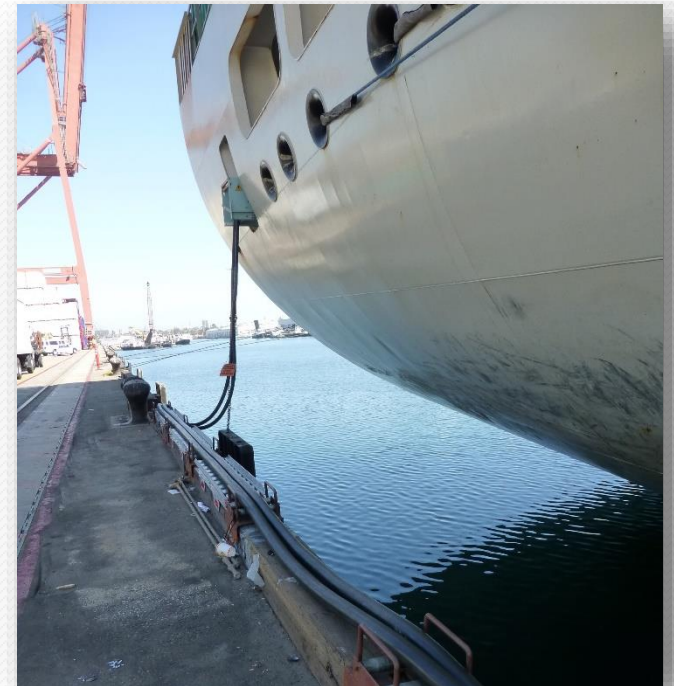
Forklifts, Port Cargo Handling Equipment, and Airport Ground Support Equipment (GSE)

- Forklifts: >8,000 lb. lift capacity
- Port cargo handling equipment
- Pre-Tier 3 diesel GSE and uncertified or certified spark-ignition GSE ≥ 3.0 g/bhp-hr
- Repower or replacement to all-electric only
- Existing vehicle and/or engine must be scrapped



Ocean-Going Vessel Shorepower

- Systems that enable a compatible vessel's main and auxiliary engines to remain off while the vessel is at berth
- Marine systems must comply with international shore power design standards and should be supplied with power sourced from the local utility grid



Light-Duty Electric Vehicle Supply Equipment (EVSE)

- Level 1, Level 2, or fast charging equipment located in a public place, workplace, or multi-unit dwelling
- Hydrogen dispensing equipment capable of dispensing hydrogen at a pressure of 70 megapascals (MPa) located in a public place
- Limited to no more than 15% of the State's Trust allocation



Diesel Emission Reduction Act (DERA) Option

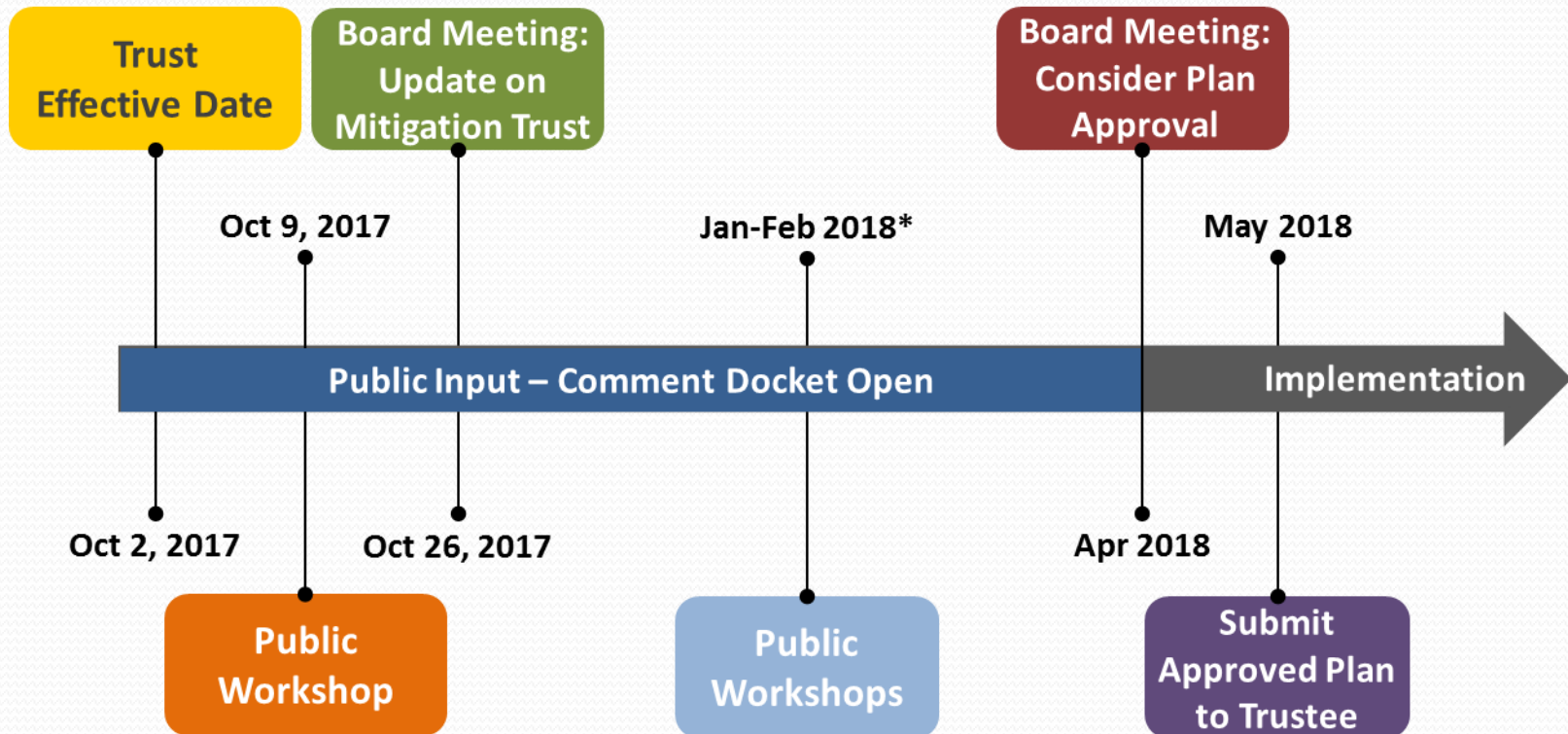
- Can fund additional categories as match funding for State DERA
- Limited funding (less than \$500,000 annually)
- State DERA currently funds school bus projects

Process for Beneficiary Mitigation Plan Approval & Implementation

Process for Plan Approval

- Public input is critical
- Consult with State Legislature
- Develop guiding principles
 - Fully mitigate NOx impacts of the subject VW cars
 - Consistent with State priorities
- Consider input from other State agencies
- Present Beneficiary Mitigation Plan to the Board for approval (tentatively spring 2018)

Beneficiary Mitigation Plan Public Process



* Estimated

Options for Plan Implementation

- Project administration approach can include:
 - competitive solicitations; or
 - first-come/first-served
- Consider third-party implementation
- Outreach to increase participation
- CARB must ensure reviews and audits



Summary of Early Feedback

Early Feedback

- October 9 public workshop and comment docket
 - About 100 attendees (plus webcast)
 - General consensus on maximizing benefits to low-income or disadvantaged communities
 - Wide variety of project categories suggested with varying implementation approaches
 - Support for zero-emission where feasible; near zero-emission everywhere else

Next Steps



- Continue to solicit comments and meet with stakeholders
- Develop and refine guiding principles and process, narrow project categories, and draft Plan
- Additional public workshops planned for early 2018
- Final proposal to the Board expected in spring 2018